

BEFORE
THE PUBLIC SERVICE COMMISSION OF
SOUTH CAROLINA
DOCKET NO. 97-239-C - ORDER NO. 2006-609
OCTOBER 30, 2006

IN RE: Proceeding to Establish Guidelines for an Intrastate Universal Service Fund) ORDER APPROVING) INCLUSION OF) ADMINISTRATIVE) EXPENSES IN) UNIVERSAL SERVICE) FUND
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This matter comes before the Public Service Commission of South Carolina (the Commission) on the request of the Office of Regulatory Staff (ORS) for approval to include \$106,198 in administrative expense in the South Carolina Intrastate Universal Service Fund (USF).

Materials presented to this Commission show that in April 2006, ORS issued a Request for Proposal (RFP) for administration of the USF. The RFP was written in three (3) procurement "lots" and garnered one (1) bidder for lots 1 and 2 and two (2) bidders for lot 3. According to ORS, the most competitive bid was approximately \$38,000 per year higher than in-house administration of the USF by the ORS. Also, the most competitive bid would require a \$56,000 one-time start-up cost. Based on the responses to the RFP, ORS determined that it was not cost effective to award a contract to a bidder to administer the USF. ORS stated, under questioning by this Commission, that it was confident that through its administration of the USF, and separation of its administration of the USF from its auditing of the companies that will contribute to and receive funds

from the USF, all combined with the outside auditing of the USF by an independent CPA firm, its handling of the USF would comply with the recommendations of the Legislative Audit Council (LAC) from the Council's audit of February 2005.

Further, the LAC recommended that ORS should "use the resources of the USF to cover the costs of administration." Administrative expenses are defined in Order No. 2001-996 as "costs incurred by the Commission-designated Administrator of the SC USF in the administration of the SC USF, including the audit expenses of an independent third party. The sole purpose of this component is to recover Commission-approved costs for administering the SC USF." In determining administrative costs, ORS considered Staff time and data processing requirements directly associated with fund administration.

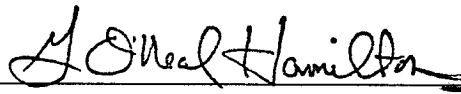
Accordingly, ORS breaks down its administrative costs into two components. The first component is \$47,606 for the billing of fund assessment, monthly determination and assessment of late payment penalties, monthly disbursements, preparation of monthly and annual financial reports and statements, the performance of the annual true-up process, and to provide for support for the annual independent financial audit. The second component is \$58,592 to audit the reported revenues for companies paying into the fund, and to audit recipients of the fund to ensure that costs have been accurately captured. The two components total \$106,198.

We have examined this matter, and, based on the oral and written presentations of ORS and the description of administrative expenses found in Order No. 2001-996, we approve the ORS request to include \$106,198 in administrative expense in the South

Carolina Intrastate USF. We believe that the expenses requested meet the definition of administrative expenses found in Order No. 2001-996.

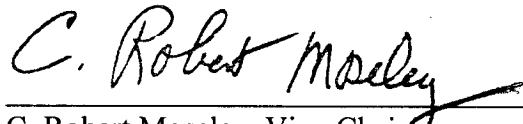
This Order shall remain in full force and effect until further Order of the Commission.

BY ORDER OF THE COMMISSION:



G. O'Neal Hamilton, Chairman

ATTEST:



C. Robert Moseley, Vice-Chairman

(SEAL)